

DRAFT - EMA:mb1 - 8 January

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TO:

FROM: Chief, Contact Division

SUBJECT: Direction to Be Given Those Receiving Payment for Services,  
in Connection with Reporting Such Payment for Income Tax  
Purposes.

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1. Either in connection with support for the [ ] or in payment for such services as translation and interpreting, most of the offices have been called upon, at one time or another, to make cash outlays which clearly represent earned income to the individual to whom payment is made. This, of course, presents the problem of how this income should be reported by that individual in his income tax return or returns; also, whether we should, in each case, bring the matter to his attention and direct him how it should be done. It is not possible for us to notify the Bureau of Internal Revenue (and the state tax authority in those states having taxes on income) of each such case, both because the individual may not report the income and we are not in the business of preventing tax evasion, and because of the security problem involved in revealing the identity of our contacts to uncleared personnel in the tax offices.

2. We have concluded that in each case where we are asked by the individual how the income should be reported, or where the payment is so substantial that the question is obviously going to be a problem, the Intelligence Officer handling the payment should advise the payee to report the income as received from a "Special project of the United States Government". At the same time, he should also be told that when and if his return is audited and if the question of the source of this particular income is pressed, to advise the agent that he will check the matter with the Government and provide the proper answer shortly. When he then presents the question to the Field Office concerned, if that office will so advise Operations, each case will be handled as the particular circumstances indicate.

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